

**From:** "Karl Pnazek" <kspnazek@capmail.org> on 03/26/2004 03:30:23 PM  
**Subject:** Regulation BB - Community Reinvestment Act

Karl Pnazek  
5499 Hwy 10 East  
Stevens Point, WI 54481

March 26, 2004

Docket No. R-1112 Jennifer Johnson  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Docket No. R-1112 Johnson:

Docket No. 04-06  
Communications Division  
Public Information Room, Mailstop 1-5  
Office of the Comptroller of the Currency  
250 E St. SW,  
Washington 20219

Docket No. R-1181  
Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington DC 20551

Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17th St NW  
Washington DC 20429

Regulation Comments, Attention: No. 2004-04  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street NW  
Washington DC 20552

To Officials of Federal Bank and Thrift Agencies:

As a member of the National Congress for Community Economic Development, CAP Services, Inc. urges you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. The CRA has been an important tool for CAP in increasing access to homeownership and small business loans for low- and moderate-income families in rural central Wisconsin. The proposed changes could be harmful to our continued use of CRA to move lenders to make further progress in community reinvestment.

The proposed CRA changes could also thwart the Administration's goals of creating 5.5 million new minority homeowners by the end of the decade.

Specifically, the proposal to "streamline" exams for banks with assets between \$250 million and \$500 million will affect 36 banks in Wisconsin (10 in rural areas). These affected rural banks have 71 branches and represent 17.6% of all deposits in rural areas.

Let me illustrate by describing a practical impact the current CRA regulations have had. In 1991 CAP Services began what is today a very successful homebuyers assistance program that offers downpayment and housing rehabilitation assistance to first-time homebuyers. Despite the financial advantages of participation (elimination of PMI, better loan to value ratios, etc.), some of our regional rural lenders (\$250-\$500 million in assets) chose not to participate by making loans to these households. By establishing a record of accomplishment, doing a great deal of lender outreach and being very assertive with our CRA advocacy, CAP has been able to convince virtually all of the lenders in our area to participate in our program. We used the same model to encourage area lenders to participate in our IDA (Individual Development Account) program when it was established in 1999.

We are now working with area lenders to encourage them to participate in CAP's business lending program for LMI households. Any weakening of the CRA by "streamlining" the examination process could have an adverse impact on our efforts. We encourage you to withdraw the proposed regulations and revisit their potential impact on rural areas again. With the increased regionalization of banking and the increased use of standardized underwriting that reflects an urban bias against rural lending, we need CRA in its present form more than ever.

This problem is not limited to rural Wisconsin. The proposed changes would reduce the rigor of CRA exams for 1,111 banks nationwide that account for more than \$387 billion in assets.

The elimination of the investment and service tests for more than 1,100 banks could translate into considerably less access to banking services and capital for underserved communities. In other areas, these banks might no longer be held accountable under CRA exams for investing in Low Income Housing Tax Credits, which have been a major source of affordable rental housing needed by the large numbers of seniors living in our areas.

The federal regulators will also have lost an important tool for enforcing CRA's statutory requirement that banks have a continuing and affirmative obligation to serve credit and deposit needs if they eliminate the investment and service test for a large subset of depository institutions.

In closing, we encourage you to withdraw the proposed regulations and reissue them only after careful analysis of the impact of any revisions on rural America.

Sincerely,

Karl S Pnazek